Daito Trust Construction Co., Ltd.

Q2 Financial Results Briefing for the Fiscal Year Ending March 2025

October 29, 2024

Event Summary

[Company Name]	Daito Trust Construction Co., Ltd.
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[Event Name]	Q2 Financial Results Briefing for the Fiscal Year Ending March 2025
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[Date]	October 29, 2024
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[Venue]	Webcast
[Venue Size]	
[Participants]	
[Number of Speakers]	2

Kei Takeuchi	President, Representative Director, CEO
Tsukasa Okamoto	Director, Senior Executive Officer, CFO, General Manager of Corporate Management Headquarter

Presentation

Moderator: Now that the scheduled time has arrived, we will begin the Q2 financial results briefing for the fiscal year ending March 2025 for Daito Trust Construction Co., Ltd.

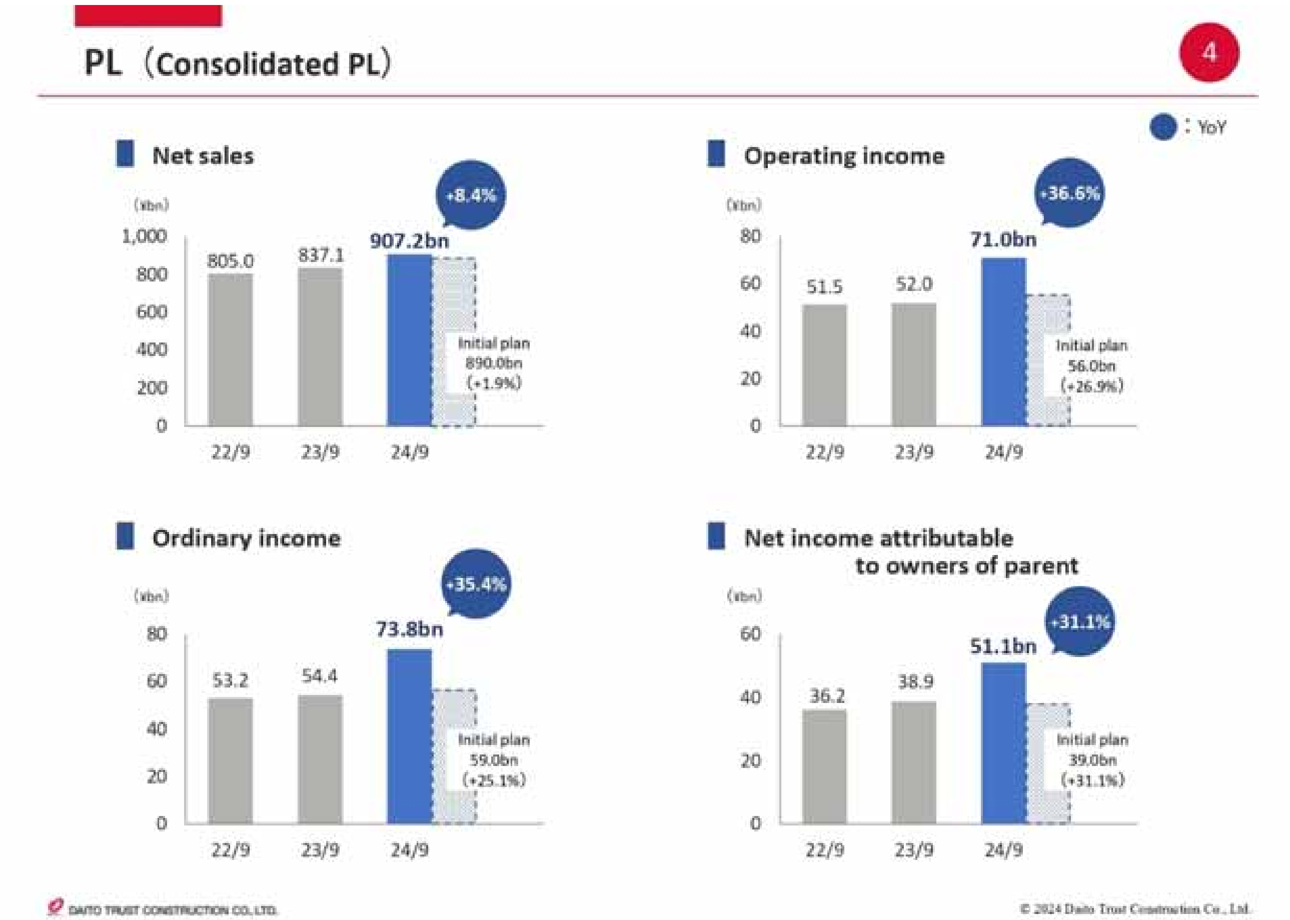
Today's financial results briefing is also being streamed remotely. The content of today's presentation will be available on our website at a later date.

As for today's agenda, following a summary of the Q2 financial results for the fiscal year ending March 2025, presented by Okamoto, Director, Senior Executive Officer, and General Manager of Corporate Management Headquarter, CFO, the performance of key indicators and other details will be explained by Takeuchi, President, Representative Director, and CEO. After that, we will move on to the question & answer session. Instructions on how to submit questions will be provided once the Q&A session begins.

The briefing is scheduled to conclude at 4:30 PM. Let us now begin. Mr. Okamoto, if you would please proceed.

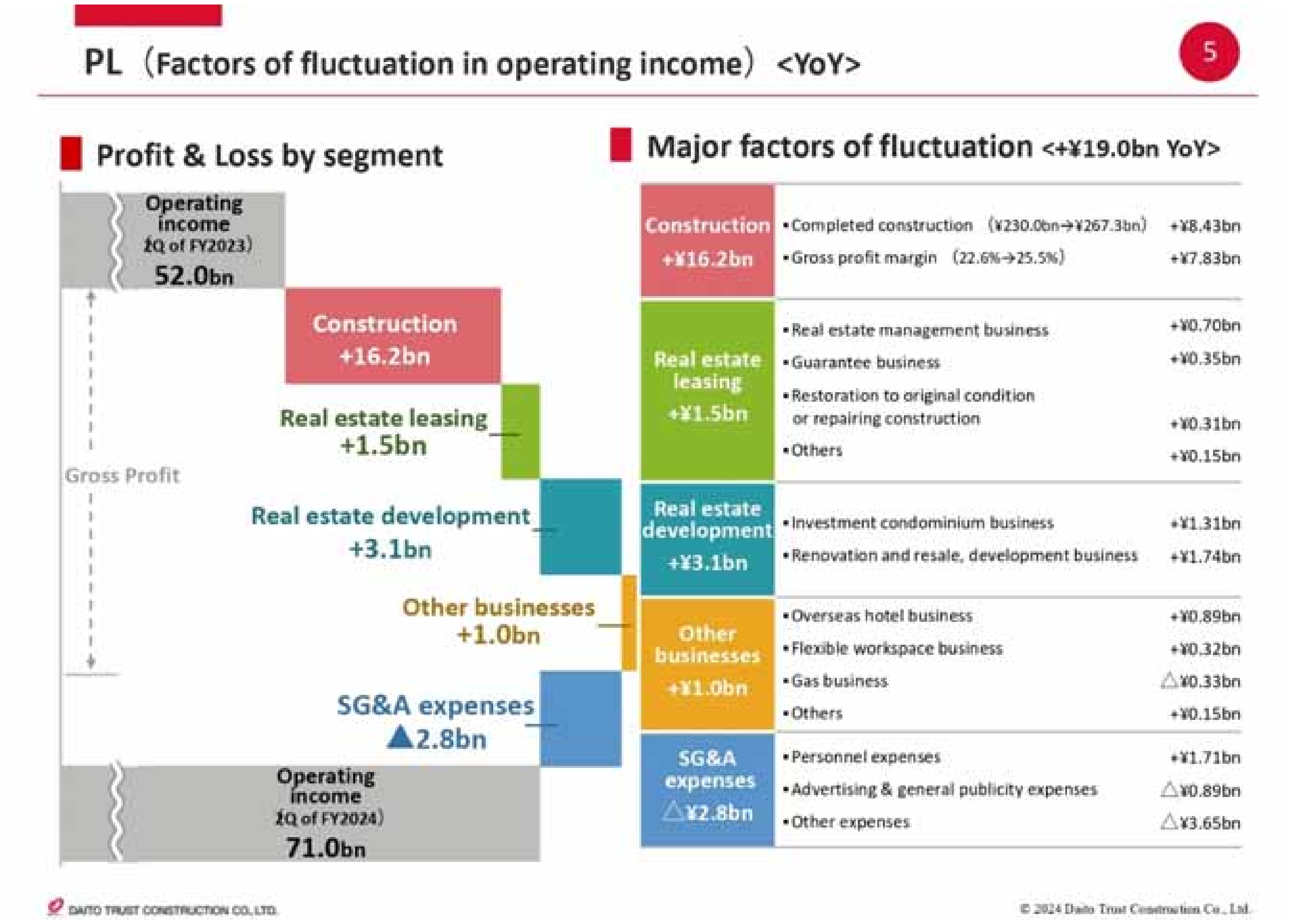
Okamoto: My name is Okamoto. Thank you very much for taking the time to join us today.

Let's move straight to the performance overview. Unless otherwise specified, I will be explaining on a consolidated basis.



Please refer to page four. I will start with the P&L for this period.

As announced in the revised earnings forecast on October 22, Q2 net sales increased by 8.4% YoY to JPY907.2 billion, operating income rose by 36.6% YoY to JPY71 billion, and net income attributable to owners of parent increased by 31.1% YoY to JPY51.1 billion, all exceeding our planned targets. I will provide a detailed breakdown by segment shortly.



Please turn to page five. This page compares operating income with the previous period. Operating income for the current period stands at JPY71 billion, an increase of JPY19 billion from JPY52 billion in the same period last year.

Breaking this down, we see an increase of JPY16.2 billion in gross profit from completed construction projects, a JPY1.5 billion increase in gross profit from the real estate leasing business, a JPY3.1 billion increase in gross profit from real estate development, a JPY1 billion increase from other businesses, and a decrease of JPY2.8 billion due to higher SG&A expenses.

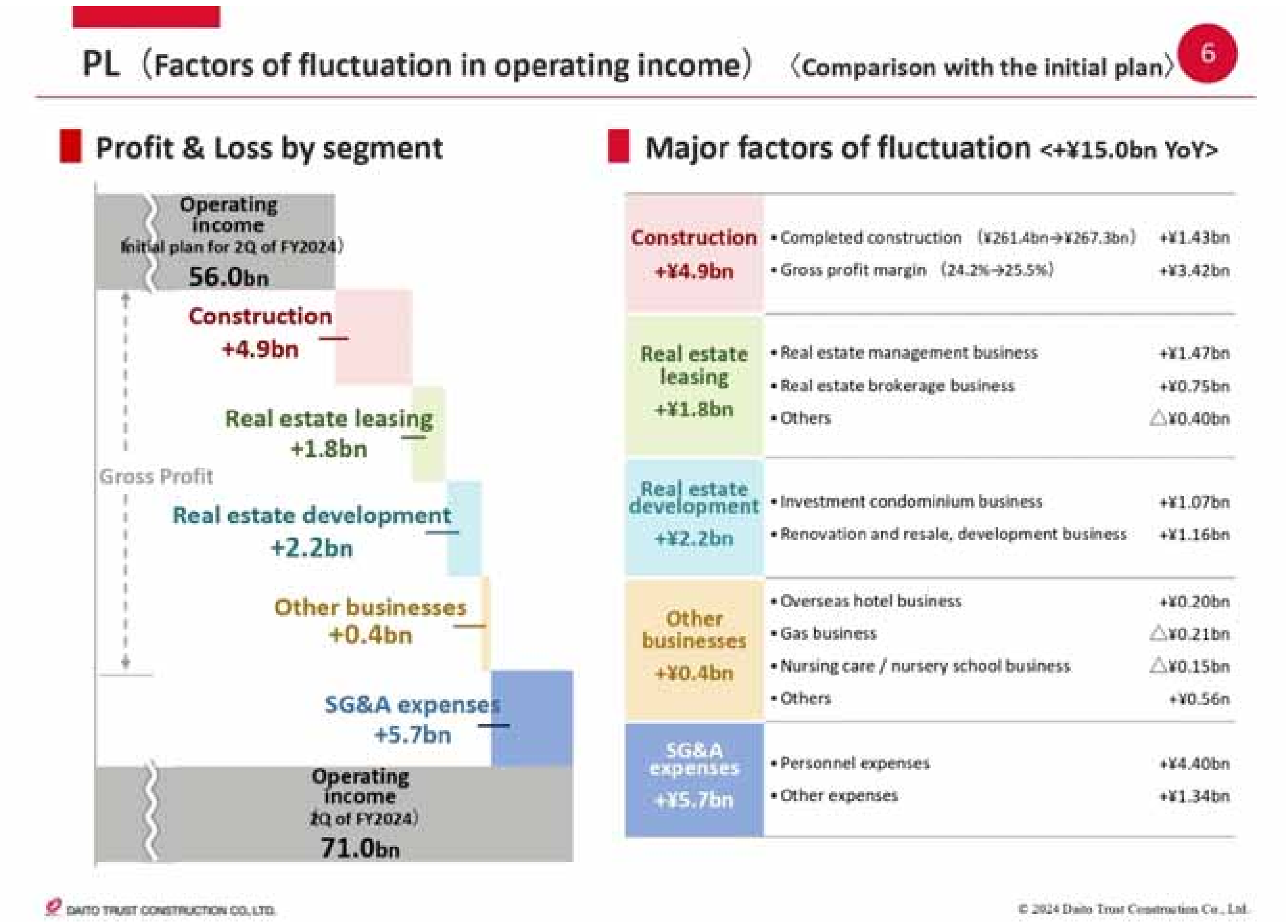
The JPY16.2 billion increase in gross profit from completed construction is attributable to both an increase in completed construction volume and an improvement in gross profit margin.

Next, the JPY1.5 billion increase in gross profit from the real estate leasing business is due to an increase in managed units and a maintained occupancy rate comparable to last year.

Furthermore, the JPY3.1 billion increase in gross profit from real estate development is due to strong sales of investment condominiums and the renovation and resale development market for income-generating properties.

Gross profit from other businesses increased by JPY1 billion. This was partly offset by reduced profits in the gas supply business due to rising LP gas procurement costs linked to high crude oil prices. However, this was counterbalanced by a recovery in occupancy rates at our Malaysian hotels.

Finally, the JPY2.8 billion increase in SG&A expenses reflects a decrease in personnel costs following the temporary inflation allowance paid last period, alongside an increase in advertising expenses.



Please refer to page six. This page outlines the reasons for changes in operating income compared to the initial plan. Operating income for this period was JPY710 billion, which is JPY15 billion above the initial plan.

The breakdown is as follows: an increase of JPY4.9 billion in gross profit from completed construction, JPY1.8 billion in gross profit from the real estate leasing business, JPY2.2 billion in gross profit from real estate development, JPY0.4 billion in other business gross profit, and an increase of JPY5.7 billion due to a reduction in SG&A expenses.

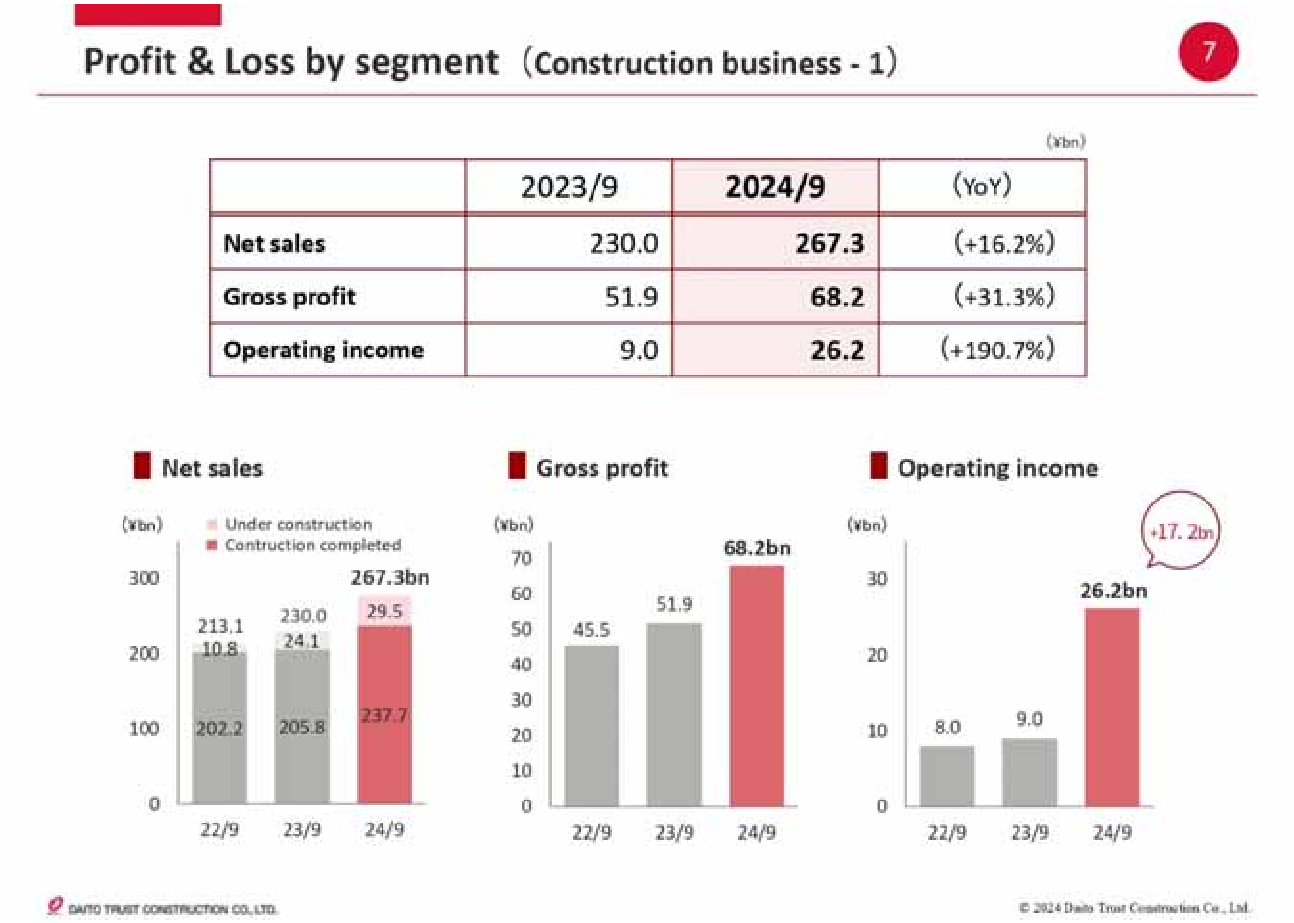
The JPY4.9 billion increase in gross profit from completed construction is due to increased construction volume through leveling out work schedules.

The JPY1.8 billion increase in gross profit from the real estate leasing business is attributable to maintaining an occupancy rate comparable to last year.

The JPY2.2 billion increase in gross profit from real estate development was due to achieving both sales volume and profit margin targets.

The JPY0.4 billion increase in gross profit from other businesses resulted from improved occupancy rates at hotels in Malaysia.

Finally, the JPY5.7 billion decrease in SG&A expenses resulted from a review and reduction in staffing plans set at the start of the period and a controlled budget for sales promotion campaigns.



Please turn to page seven. In the construction segment, completed construction volume increased by 16.2% YoY to JPY267.3 billion, with operating income increasing by JPY17.2 billion YoY to JPY26.2 billion.

Profit & Loss by segment（Construction business - 2）

	2023/9	2024/9	(YoY)
Gross profit margin	22.6%	25.5%	(+2.9p)
Operating income margin	3.9%	9.8%	(+5.9p)

Major breakdown of the variance（+2.9p YoY）

① Price revision	+5.9p
② Labor cost	△1.8p
③ Material cost	△3.6p
④ Imported materials	+2.4p

Gross profit margin / Operating income margin

Major breakdown of the variance（+1.3p）

① Price revision	±0.0p
② Labor cost	+0.4p
③ Material cost	+0.7p
④ Imported materials	+0.2p

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Please refer to page eight. The gross profit margin rose by 2.9 percentage points compared to the previous period, reaching 25.5%.

Although cost increases for construction materials and labor costs, known as the “2024 issue,” continue, the price adjustments we implemented and the decline in imported wood prices have contributed to this improvement in the gross profit margin.

The gross profit margin was 1.3 points higher than planned. This includes an increase of 0.4 points in labor costs and 0.7 points in material costs.

Profit & Loss by segment（Real estate leasing business - 1）

9

(¥bn)

	2023/9	2024/9	(YoY)
Net sales	559.8	577.4	(+3.1%)
Gross profit	66.3	67.8	(+2.3%)
Operating income	44.2	43.2	(△2.1%)

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Please refer to page nine. In the real estate leasing segment, net sales increased by 3.1% YoY to JPY577.4 billion, while operating income decreased by 2.1% to JPY43.2 billion.

Profit & Loss by segment（Real estate leasing business - 2）

	2023/9	2024/9	(YoY)
Gross profit margin	11.9%	**11.8%**	(△0.1p)
Operating income margin	7.9%	**7.5%**	(△0.4p)

Gross profit margin / Operating income margin

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Please refer to page 10. The gross profit margin and operating income margin declined by 0.1 and 0.4 percentage points YoY, respectively, due to a decrease in occupancy rates. However, compared to pre-COVID-19 levels, when the gross profit margin was around 10%, these margins remain relatively high.

Profit & Loss by segment（Real estate development business - 1）

11

(¥bn)

	2023/9	2024/9	(YoY)
Net sales	12.1	**24.6**	(+103.2%)
Gross profit	2.7	**5.8**	(+111.1%)
Operating income	0.8	**2.8**	(+233.2%)

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Please refer to page 11. In the real estate development segment, revenue increased significantly by 103.2% YoY to JPY24.6 billion, and operating income rose by JPY2 billion YoY to JPY2.8 billion.

Profit & Loss by segment（Real estate development business - 2）

12

	2023/9	2024/9	(YoY)
Gross profit margin	22.7%	**23.6%**	(+0.9p)
Operating income margin	7.2%	**11.7%**	(+4.5p)

Gross profit margin / Operating income margin

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Please refer to page 12. The gross profit margin in the real estate development segment reached 23.6%, and the operating income margin improved to 11.7% due to efficient sales activities.

Profit & Loss by segment（Other businesses）

13

(¥bn)

	2023/9	2024/9	(YoY)
Net sales	35.0	**37.9**	(+8.0%)
Gross profit	13.4	**14.4**	(+7.7%)
Operating income	4.9	**6.4**	(+30.5%)

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Please refer to page 13. In other businesses, revenue increased by 8% YoY to JPY37.9 billion, and operating income rose by 30.5% YoY to JPY6.4 billion.

Profit & Loss (Selling, general and administrative expenses)

14

(¥bn)

	2023/9	**2024/9**	(YoY)
SG&A expenses	82.5	**85.3**	(+3.4%)
SG&A expenses ratio	9.9%	**9.4%**	[△0.5p]

[ ]: Difference from same period in previous year

SG&A expenses / SG&A expenses ratio

Major breakdown of the variance (+2.8bn YoY)

① **Personnel expenses** △¥1.71bn
(¥2.0bn inflation allowance paid last term)
② **Advertising expenses** +¥0.89bn
(Increase in TV commercial costs, etc.)
③ **System maintenance fee** +¥0.75bn
④ **Recruitment and training expense** +¥0.17bn
⑤ **Other expenses** +¥2.72bn

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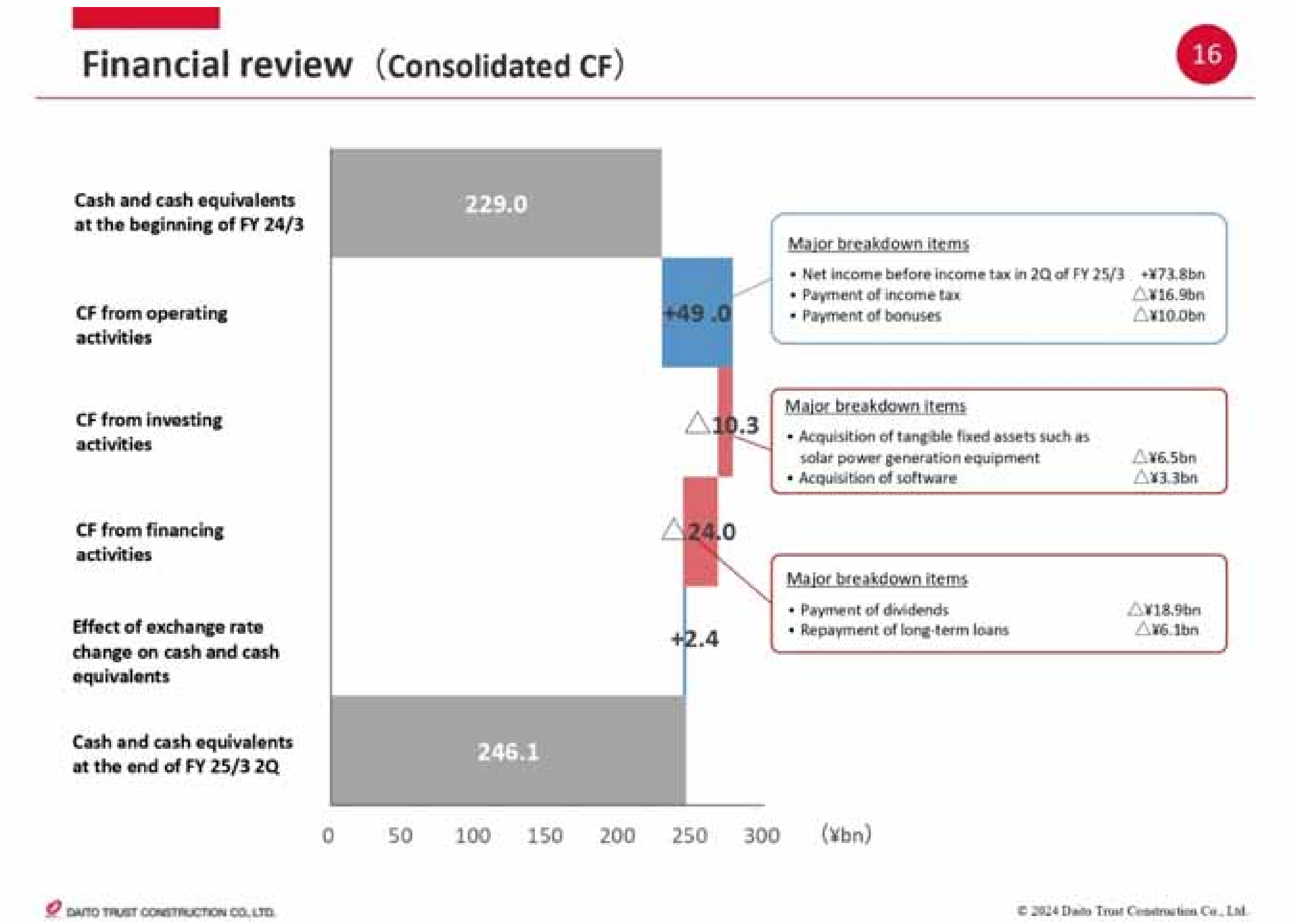
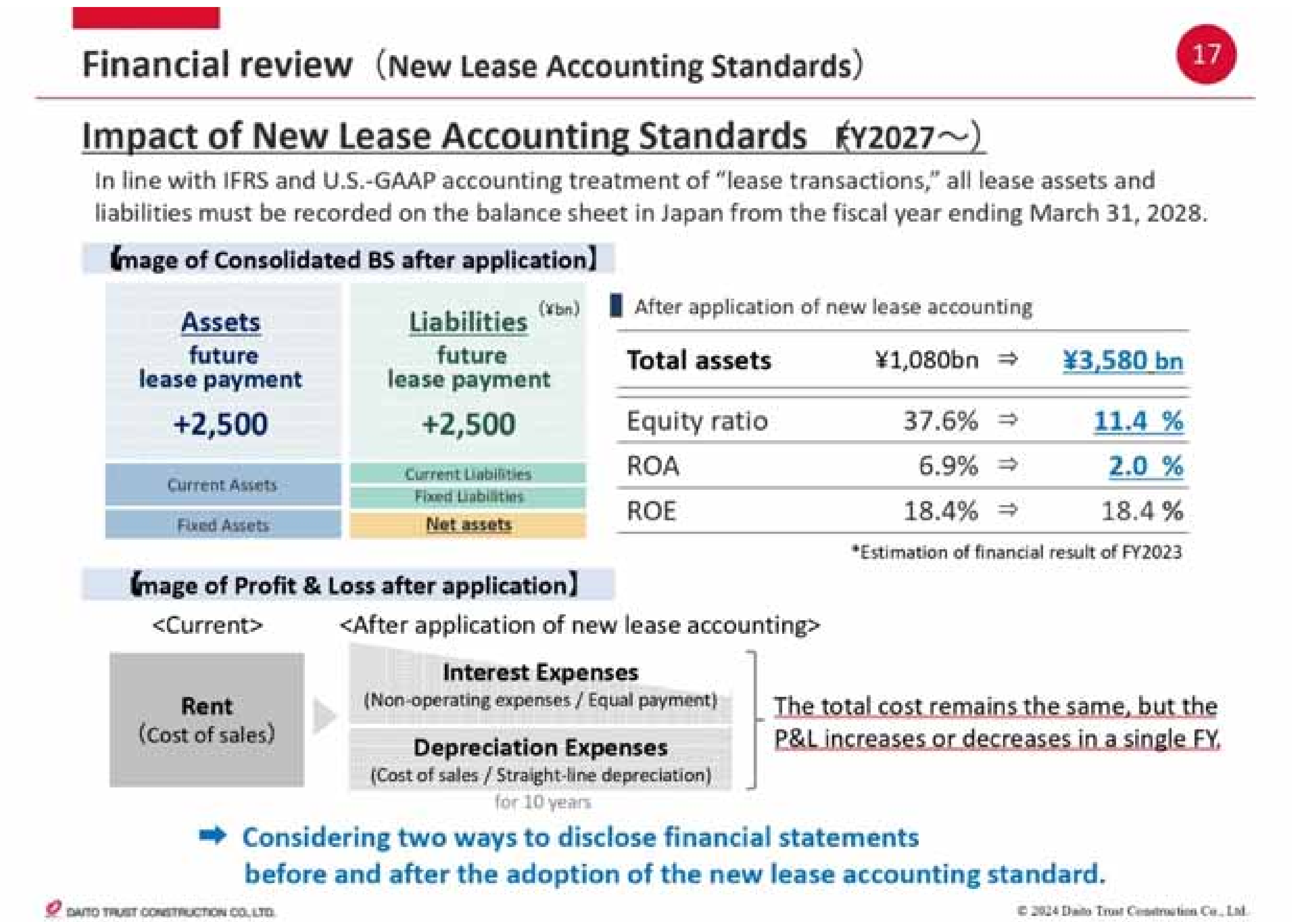
Please turn to page 14. SG&A expenses increased by JPY2.8 billion YoY to JPY85.3 billion. The SG&A-to-sales ratio decreased by 0.5 percentage points YoY to 9.4%.

Please refer to page 15. In terms of financial position, as shown in the consolidated balance sheet, long-term borrowings under fixed liabilities have been reclassified as current liabilities for repayment within the year, resulting in an increase in current liabilities and a decrease in fixed liabilities.



Please turn to page 16. This page details the changes in consolidated cash flow, as shown on the slide.



Please refer to page 17. The lease accounting standard was finalized in September. Although it will take effect in the fiscal year ending March 2028, the accounting for our bulk leasing business will shift to this new standard. As shown in the slide, lease assets and liabilities will be recorded on the balance sheet.

We are currently consulting with our auditing firm regarding the specific impact, so no concrete figures can be disclosed at this stage. However, we are moving forward with discussions and plan to release this information as soon as possible.

The slide illustrates the hypothetical scenario where the current JPY2.5 trillion in outstanding lease payments would be recorded. This would likely lower figures for the equity ratio and ROA, though cash flow and economic realities remain unchanged.

To clarify this, we are considering presenting financial statements that show figures both before and after applying the new standard for periods starting in the fiscal year ending March 2028.

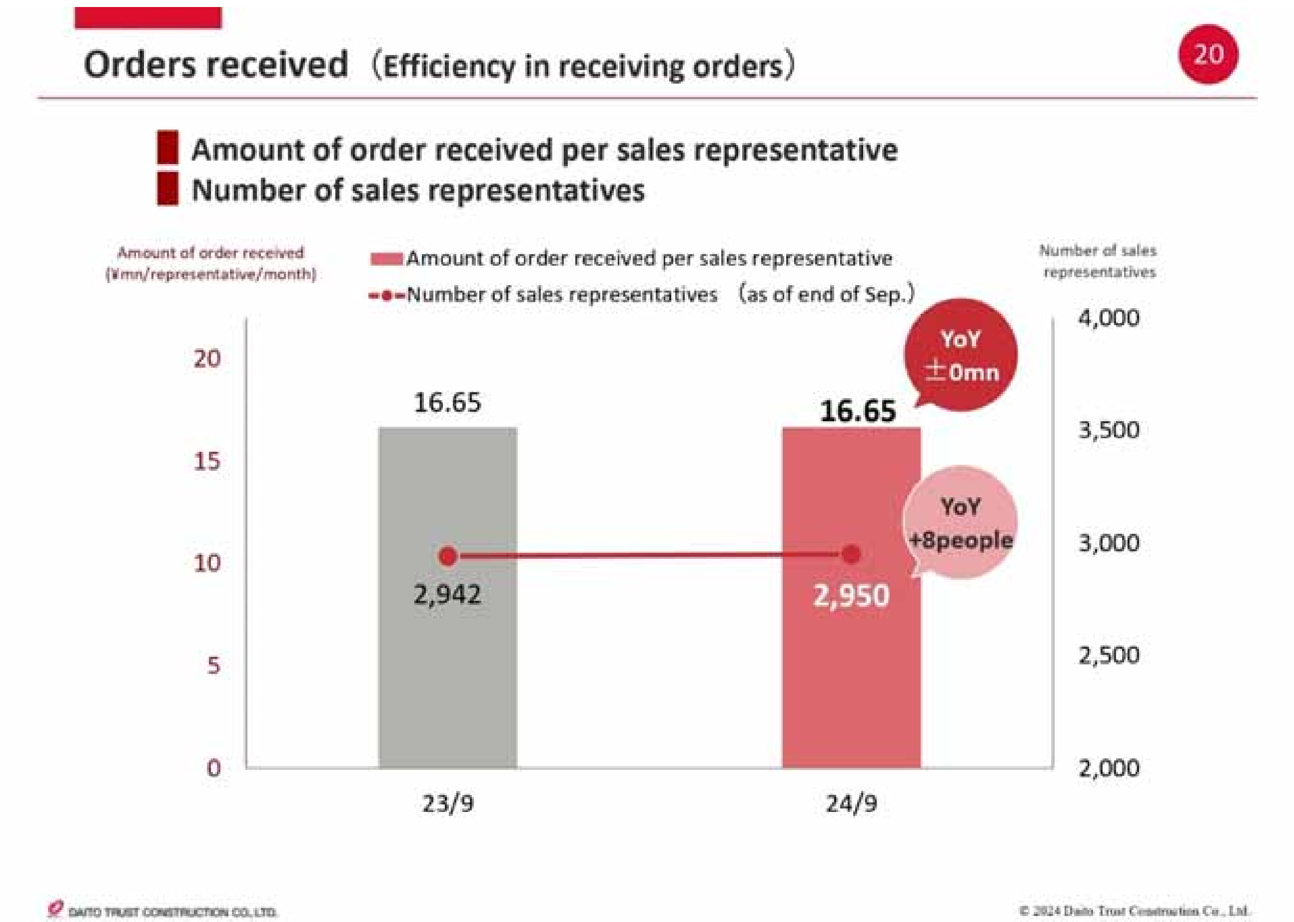
This concludes my presentation. Now, I will hand it over to President Takeuchi for further explanation. Thank you.

Takeuchi: My name is Takeuchi. Thank you for gathering here today despite the unfavorable weather.

I will now explain the performance of key figures.

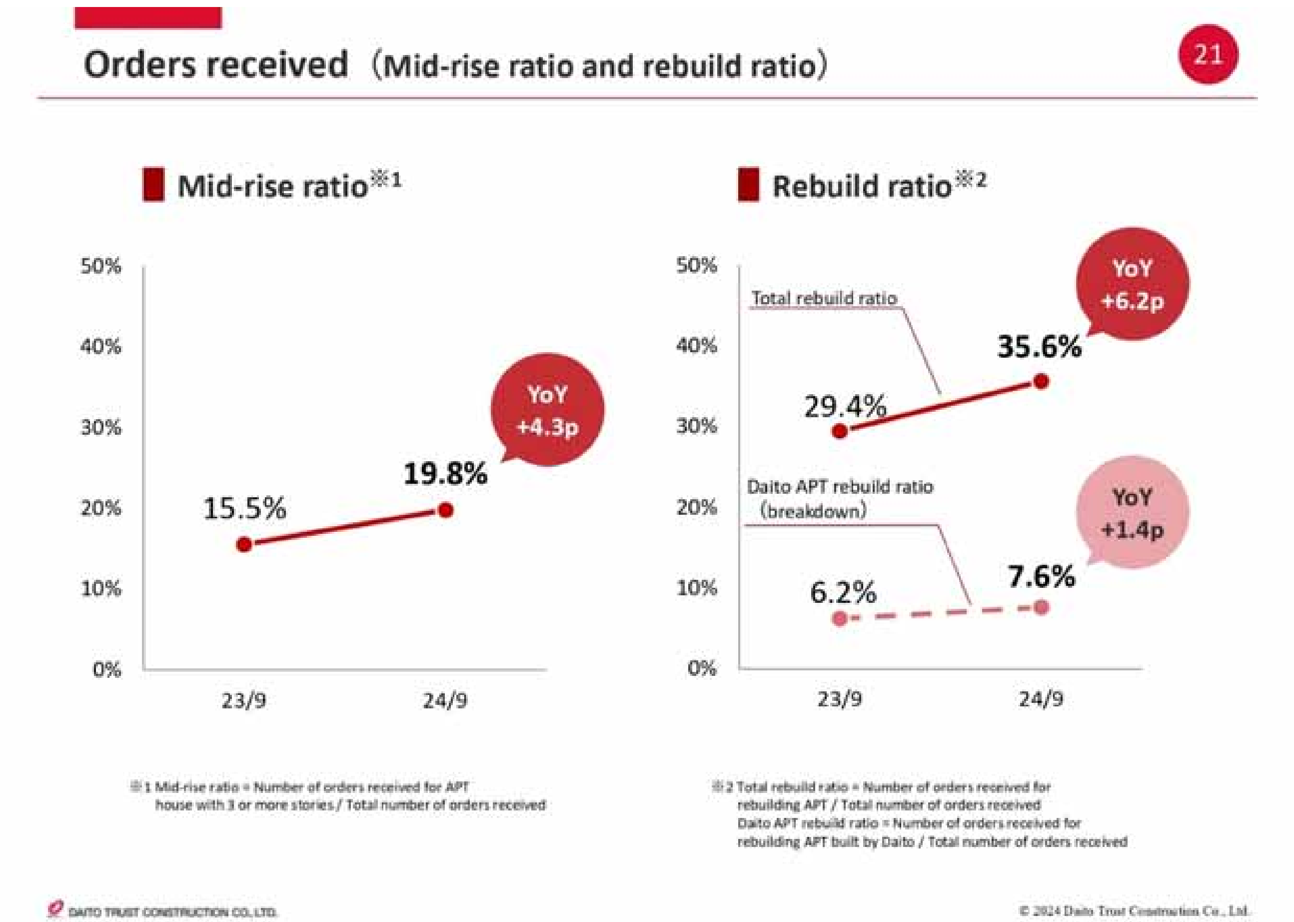
Please refer to page 19. First, regarding order volume for this period, while there has been a slight recent increase in interest rates, the impact has been minimal, resulting in a 0.4% YoY decrease to JPY289.4 billion.

The construction volume of orders increased by 3.2% YoY to JPY791.9 billion.



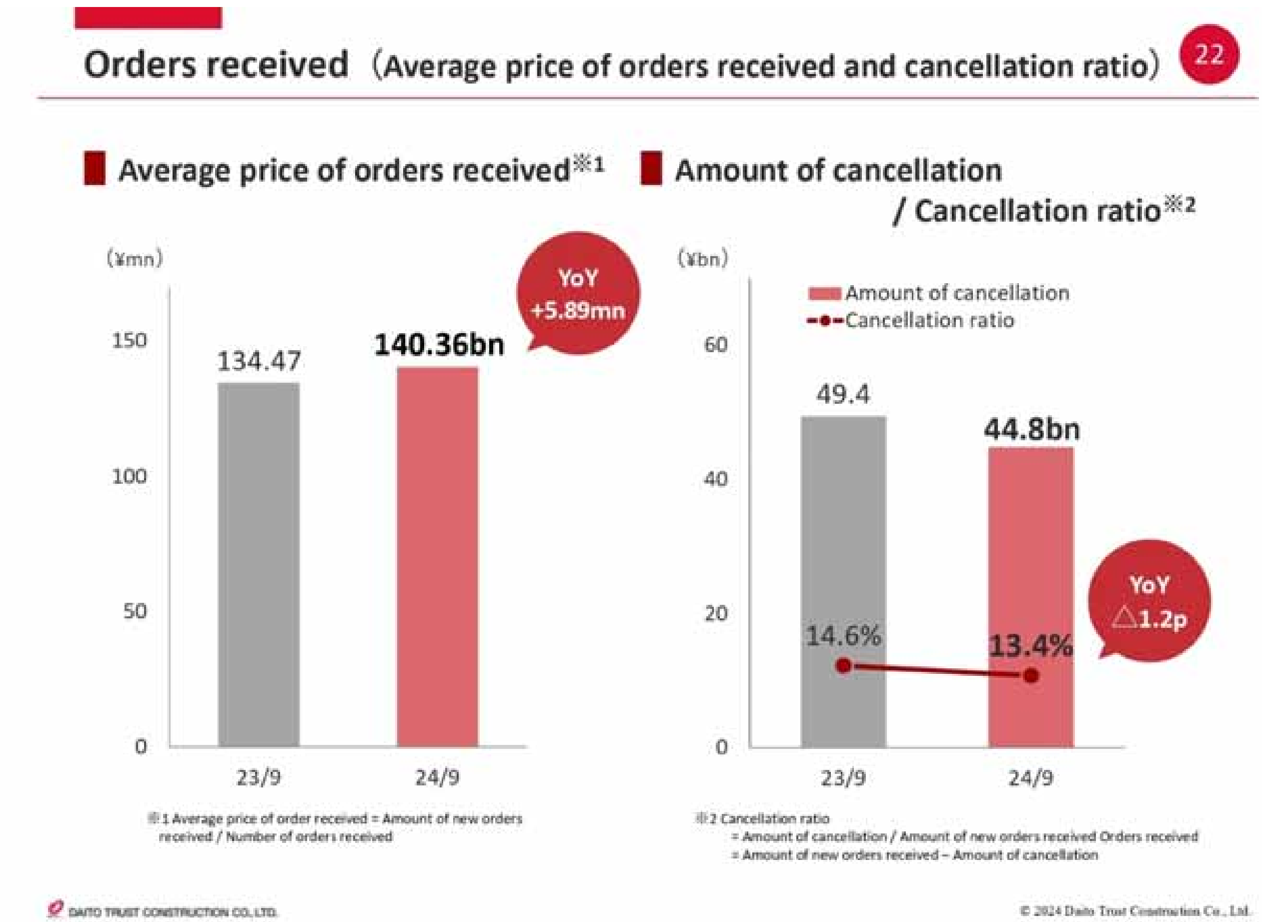
Please turn to page 20. As of the end of September, the number of sales representatives increased by 8 YoY to 2,950. Recruitment will continue toward our target of a 3,000-person workforce.

The order volume per sales representative remained on par with the previous period at JPY16.65 million.



Please refer to page 21.

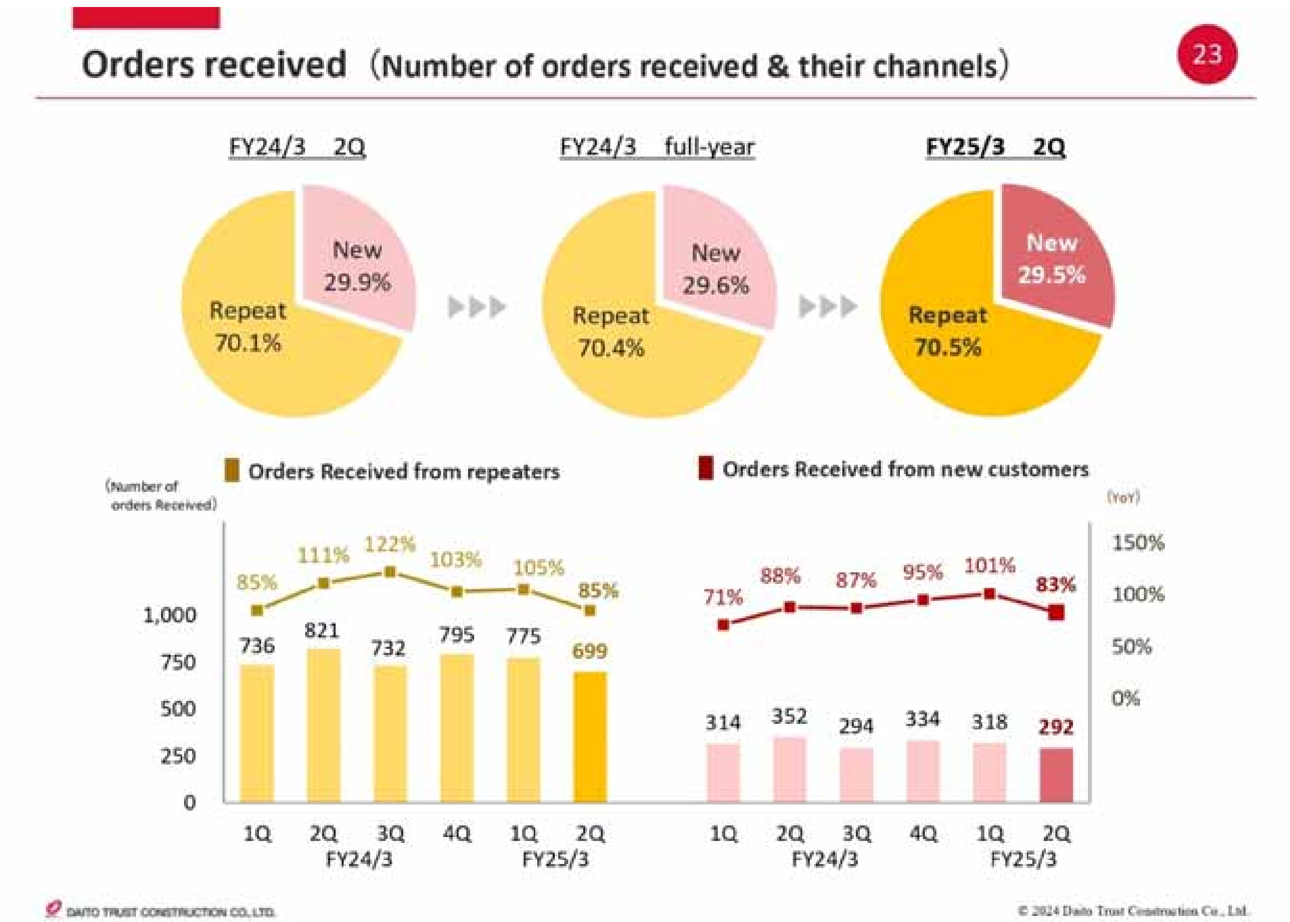
This fiscal year, we have started selling three-story ZEH products. The ratio of mid-rise buildings increased by 4.3 percentage points YoY to 19.8%, while the rebuilding ratio rose by 6.2 percentage points YoY to 35.6%.



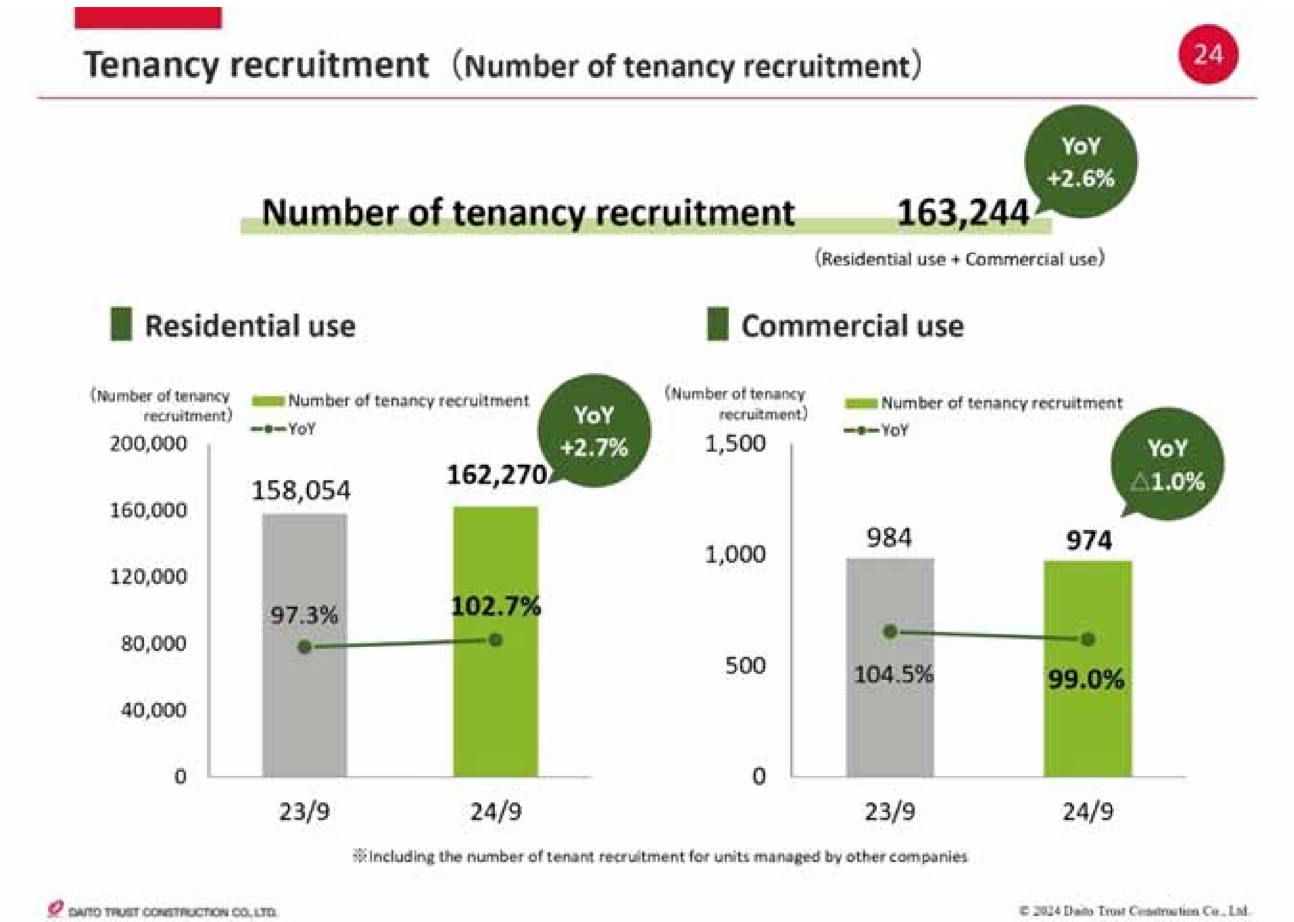
Please turn to page 22. Next, regarding order unit prices and cancellation rates.

The graph on the left shows the trend in order unit prices, which increased by JPY5.89 million YoY to JPY140.36 million due to price revisions.

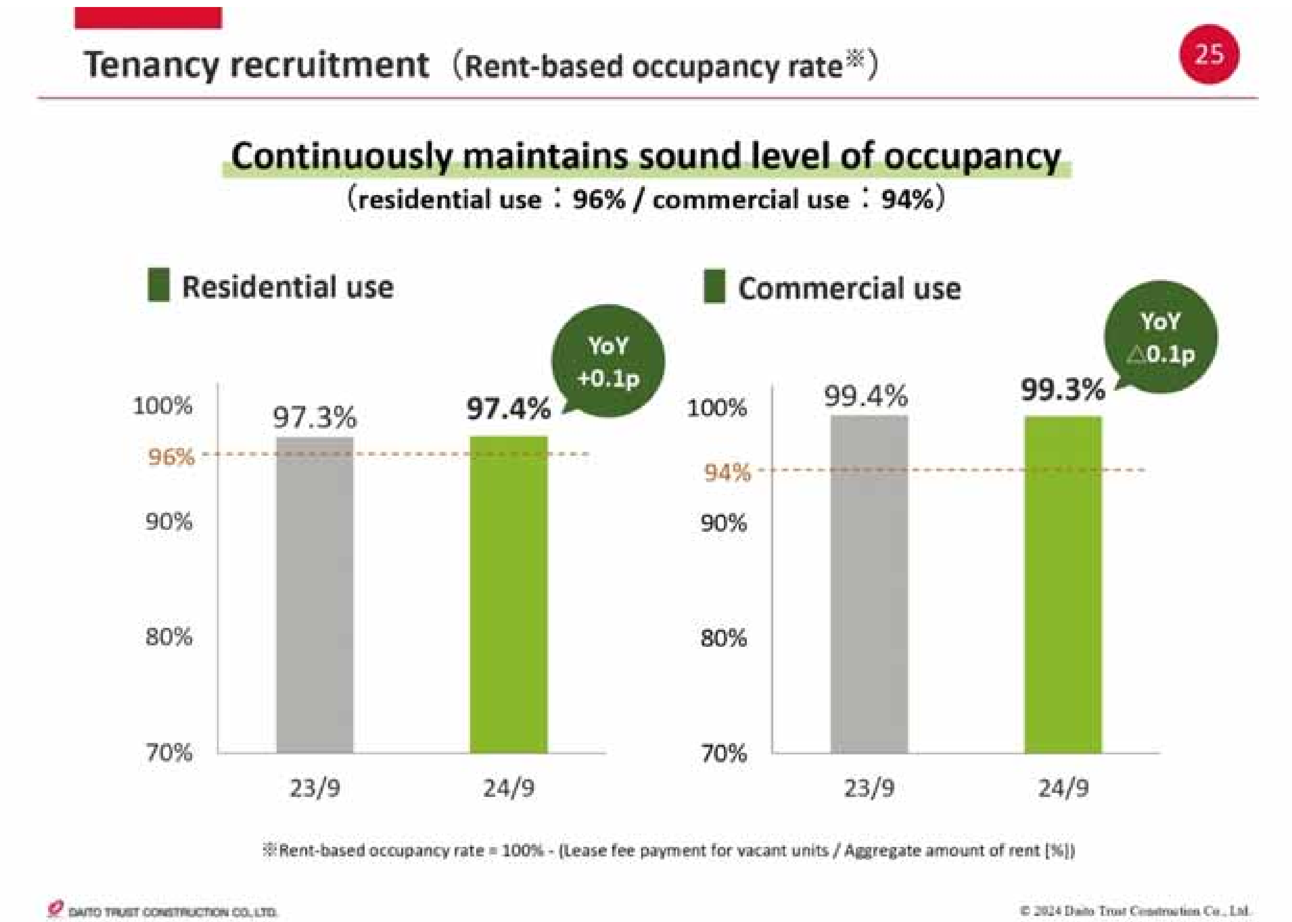
The graph on the right shows the cancellation rate, which improved by 1.2 percentage points YoY to 13.4%. By securing financing at the time of contracting, we aim to reduce the cancellation rate further.



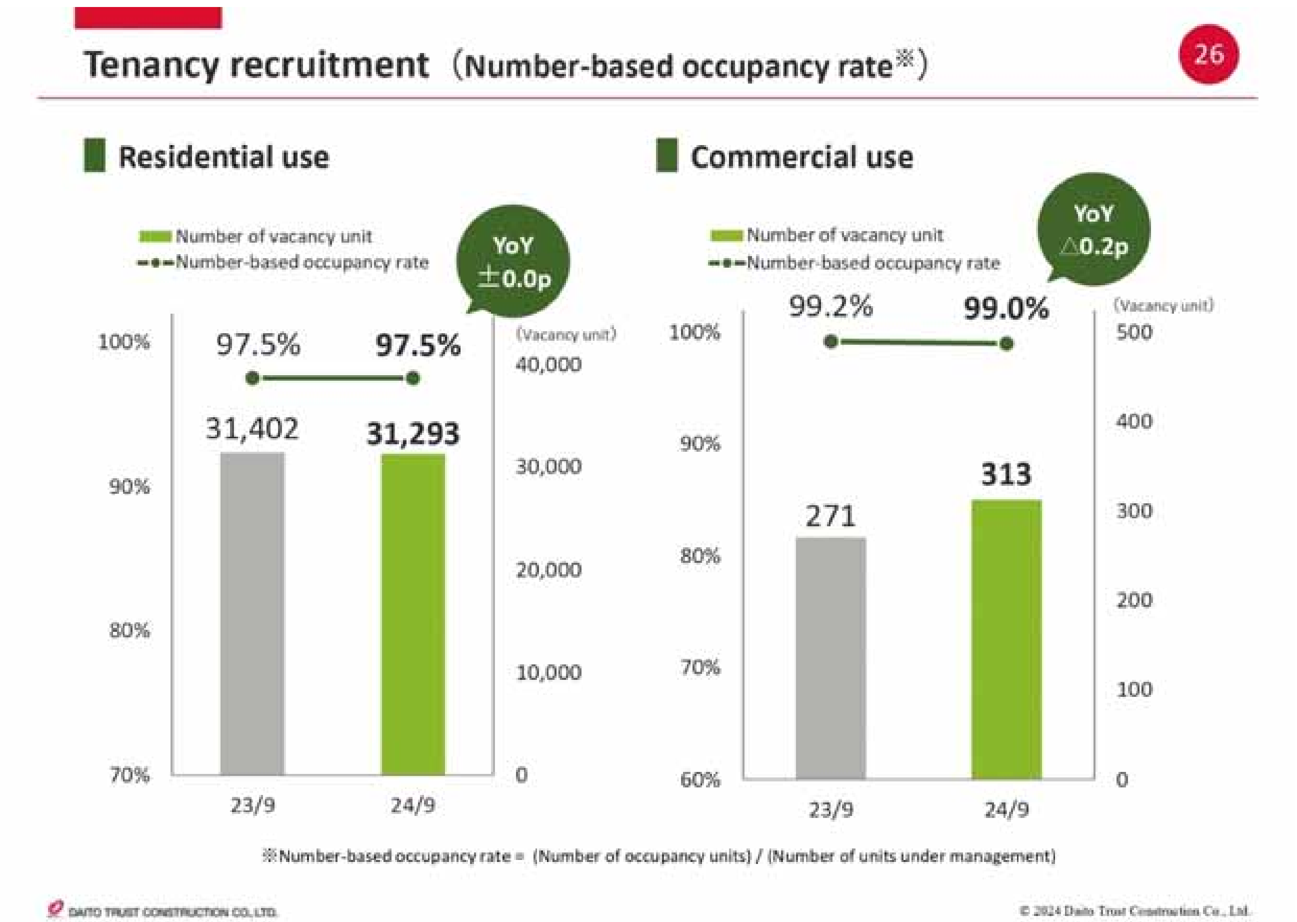
Please refer to page 23. The proportion of repeat customers for this period increased by 0.4 percentage points YoY to 70.5%. We believe that strengthening our engagement with existing customers has contributed to the increase in repeat contracts.



Please turn to page 24. The number of tenant referrals increased by 2.6% YoY to 163,244 cases.



Please refer to page 25. The occupancy rate on a rent basis rose by 0.1 percentage points YoY to 97.4%, maintaining a high occupancy rate.



Please turn to page 26. The unit occupancy rate remained stable at 97.5% YoY.

Financial forecasts（Consolidated PL）

28

The initial announcement was revised upward on 10/22.

【Consolidated Financial Forecast for the Year ending March 31, 2025】

	Initial Plan（A）	Revised Plan（B）	Change（B-A）
Net Sales	1,820.0	1,830.0	+10.0
Construction Business	530.0	540.0	+10.0
Real Estate Leasing Business	1,160.0	1,160.0	-
Real Estate Development Business	50.0	50.0	-
Other Business	80.0	80.0	-
Gross profit	303.0	307.5	+4.5
Construction Business	132.5	135.0	+2.5
Real Estate Leasing Business	128.5	128.5	-
Real Estate Development Business	8.0	10.0	+2.0
Other Business	34.0	34.0	-
SG&A expenses	193.0	187.5	△5.5
Operating income	110.0	120.0	+10.0
Ordinary income	113.0	123.0	+10.0
Net income ※	76.0	84.0	+8.0
Net income per share	¥1,150.00	¥1,260.00	+¥110.00
Annual dividend	¥575	¥630	+¥55

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I will now explain the outlook for this period.

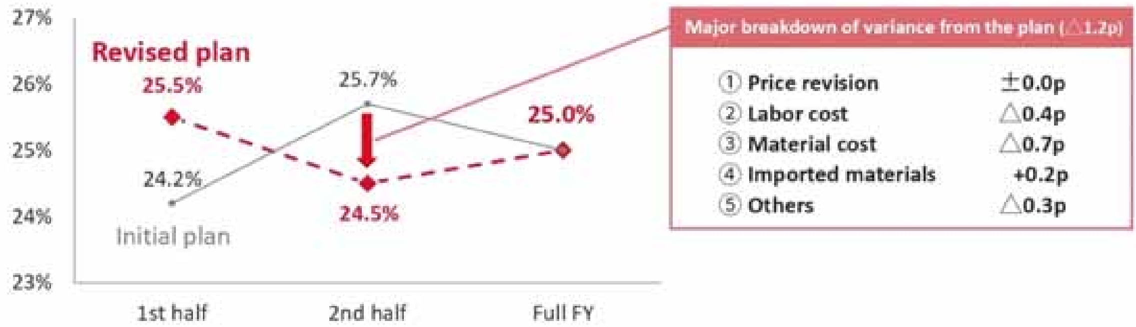
Please refer to page 28. As announced on the 22nd of this month, we have made an upward revision to our full-year forecast.

Net sales have been adjusted from JPY1.82 trillion to JPY1.83 trillion due to a review of the construction business. Gross profit has been revised from JPY303 billion to JPY307.5 billion after reassessing the construction and real estate development businesses. Operating income has been adjusted from JPY110 billion to JPY120 billion, incorporating further reviews of SG&A expenses.

Forecast for operating income in Construction business

29

FY2024	1st half	2nd half	Full FY
Initial plan	24.2%	25.7%	25.0%
Revised plan	**25.5%**	**24.5%**	**25.0%**
(change)	+1.3p	△1.2p	±0.0p



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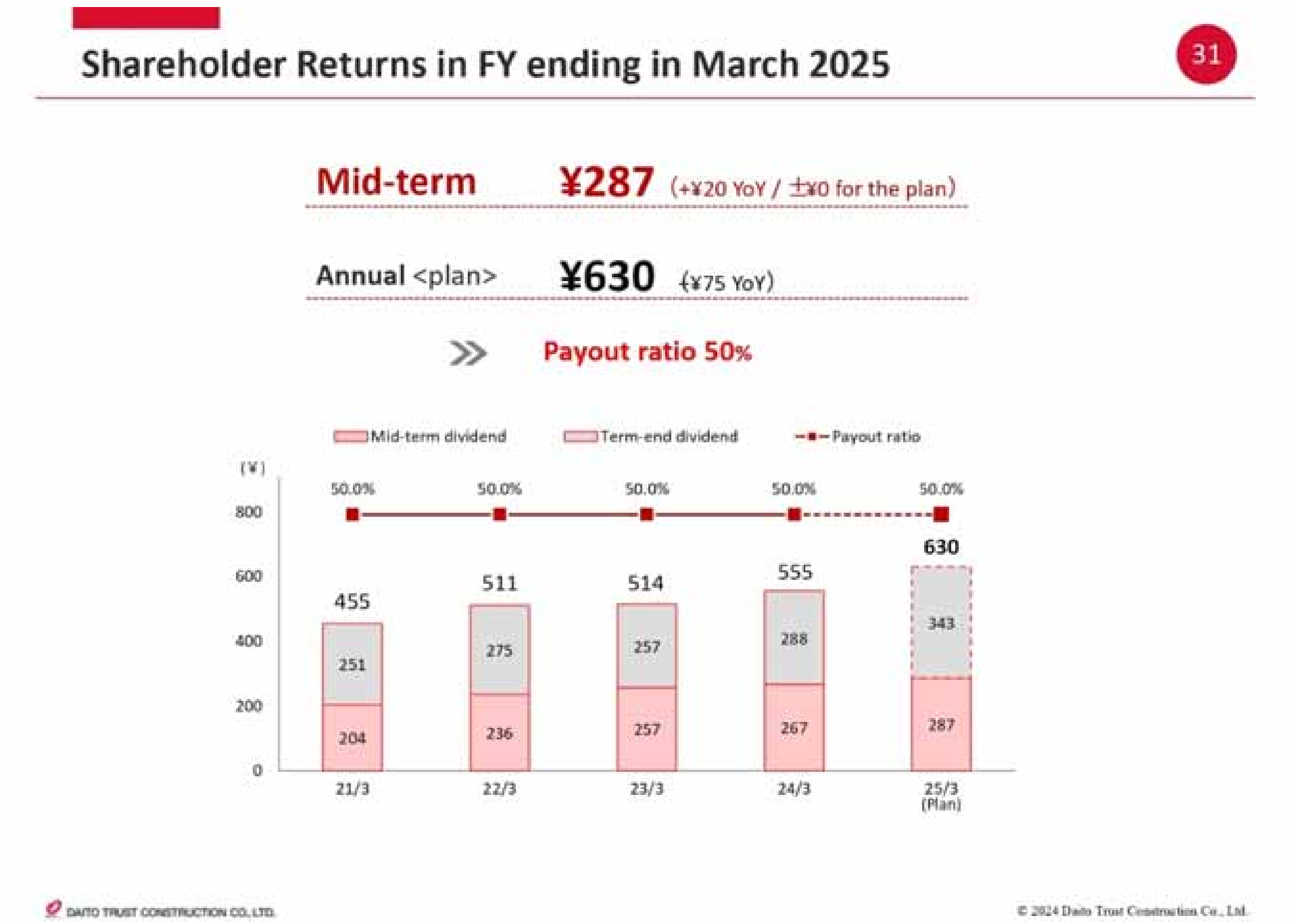
Please turn to page 29. Here, I will provide additional information regarding the construction business plan for H2. As mentioned on page eight, the proportion of wooden properties increased in H1, leading to improved profit margins.

However, in H2, the share of RC (reinforced concrete) properties is expected to increase, which will likely put downward pressure on the profit margin.

Additionally, we anticipate that the “2024 issue” — with transportation and logistics costs expected to rise — will have a more significant impact in H2. Materials and labor costs are also expected to increase.

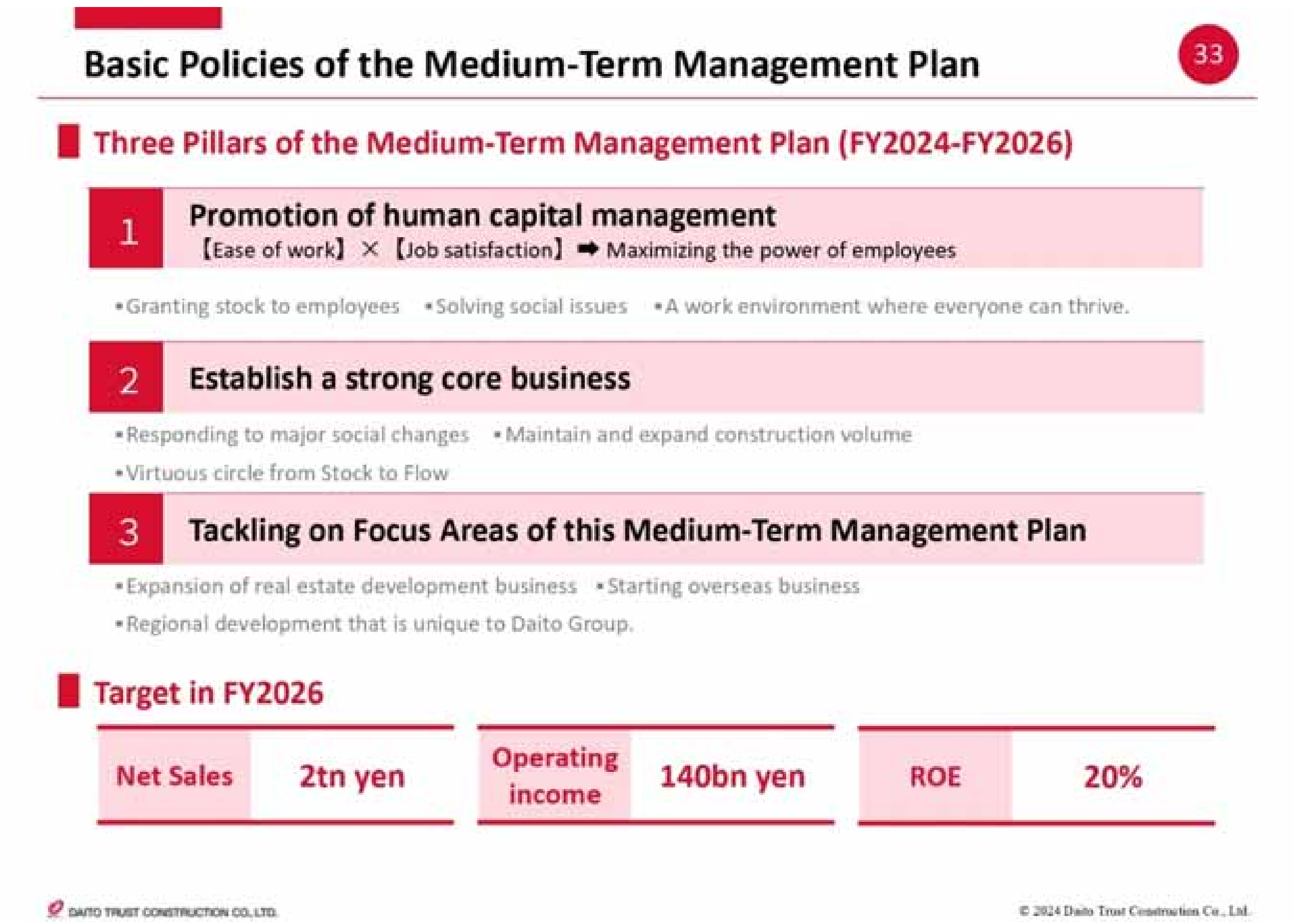
To mitigate these cost increases, we will focus on cost reductions to ensure we can maintain the planned profit margin of 25%.



Moving on to shareholder returns. Please refer to page 31.

For dividends, we plan to issue an interim dividend of JPY287 per share on November 22, which represents a JPY20 increase per share YoY, as scheduled.

Taking into account the upward revision and a dividend payout ratio of 50%, the annual dividend is expected to be JPY630 per share, an increase of JPY75 per share YoY.



Finally, I will discuss the progress of the medium-term management plan. Please refer to page 33.

Our medium-term management plan, which began this fiscal year, is based on three pillars:

Promotion of human capital management. Establishment of a robust core business. Addressing focus areas.

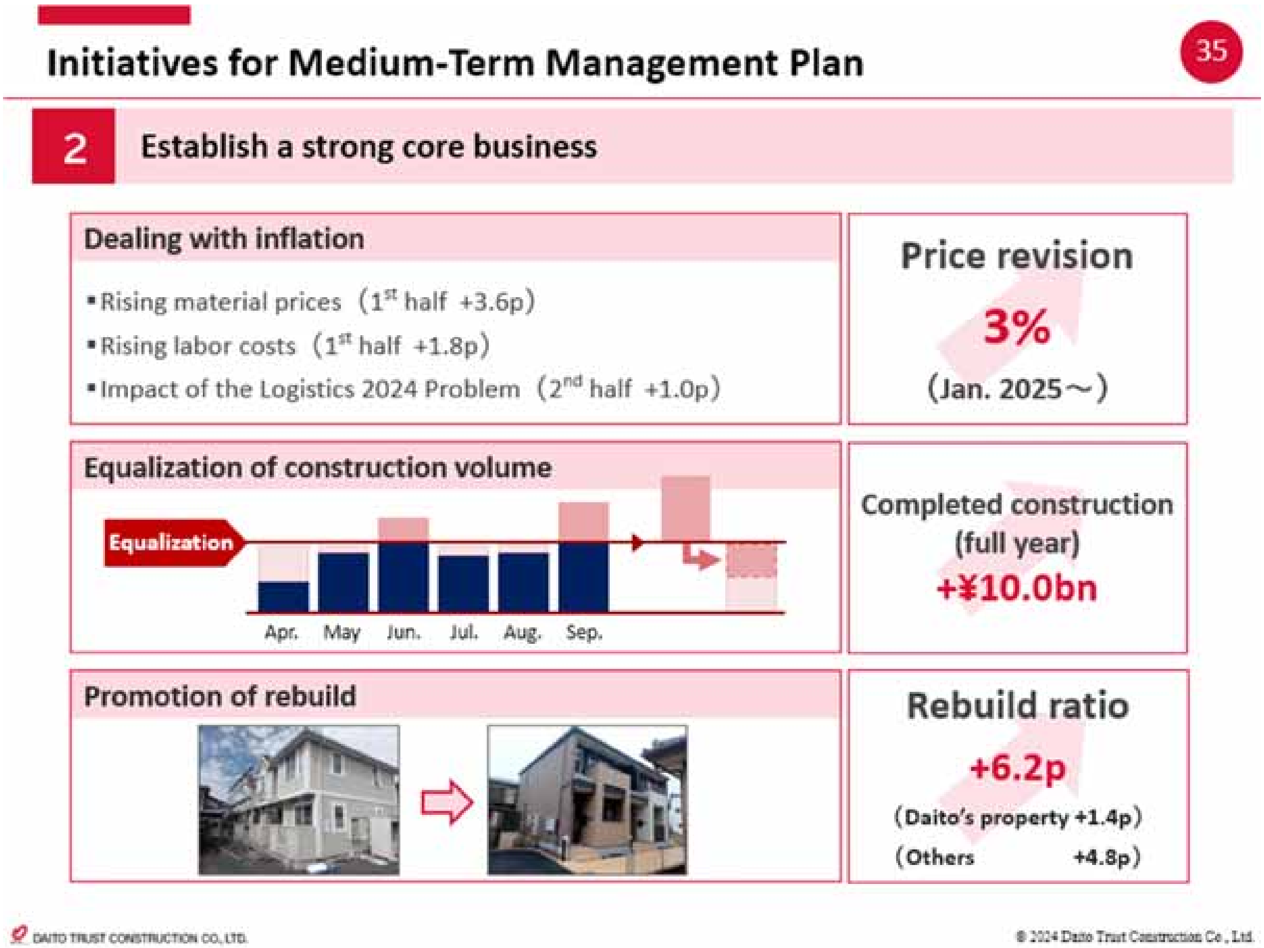
The targets for the final fiscal year include net sales of JPY2 trillion, operating income of JPY140 billion, and an ROE of 20%. On the following pages, I will provide updates on the status of each initiative.

Please refer to page 34. First, regarding the promotion of human capital management. We are implementing initiatives to enhance both employee work satisfaction and engagement.

In H1, as shown in the upper left, we granted 360,000 shares with transfer restrictions, worth approximately JPY6.4 billion, to all 15,500 Group employees.

Additionally, a biomass power plant was launched in April in Asago City, Hyogo Prefecture. This 40 million kWh plant is now operational, covering electricity needs for our offices in Western Japan, raising our RE100 achievement rate to 50%.

As shown in the lower right, we are honored to have received the Minister of Agriculture, Forestry, and Fisheries Award — the highest recognition in the Wood Utilization Promotion Contest — for our long-standing efforts in promoting the use of domestic timber. We will continue our efforts to popularize domestic timber further.

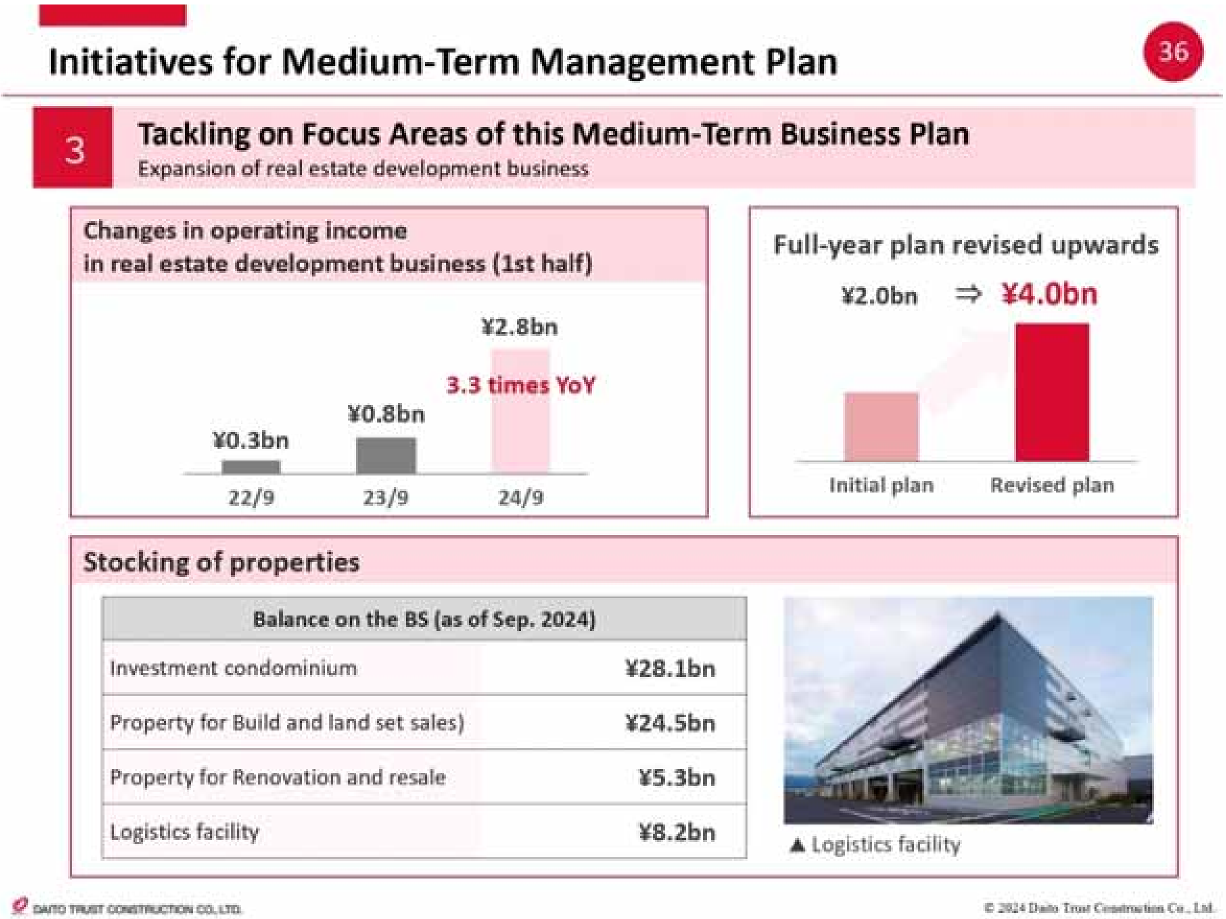


Please refer to page 35. The second initiative is the establishment of a strong core business. We are addressing three key areas here.

First, to respond to inflation-driven increases in labor and material costs and the "2024 issue," we initially decided to postpone the October price increase but plan a 3% increase starting in January next year.

Second, we aim to stabilize construction volume. While there were some fluctuations in monthly construction volume during H1, we are working to level it out and are projecting an increase of JPY10 billion in construction volume for the full year.

The third area is promoting rebuilding, where we have successfully increased the number of rebuild contracts, both for our own properties and those of other companies.



Please refer to page 36. Now, I would like to introduce three focus areas within the current medium-term plan.

The first is the expansion of the real estate development business. In H1, we achieved 3.3 times the operating income of the previous year, albeit from a small base.

Based on this progress, we are excited to revise our operating income target upward to JPY4 billion, doubling our initial plan.

As shown at the bottom, inventories of investment condominiums and development sales are steadily increasing. We expect continued growth in both sales and profits going forward.

Please refer to page 37. Here, we present our overseas business expansion.

Our first project in the United States was in California, where, as shown in the photo, we acquired 8 buildings with a total of 32 rental units. We are currently conducting renovations, and we plan to sell the units afterward.

Furthermore, as shown in the lower section, we aim to become the world's largest in terms of managed units by 2030. However, for now, we have just these eight buildings with 32 units.

Please refer to page 38. Regarding our unique approach to community development, we launched the Community Development Department in October.

Going forward, we aim to expand alliances with municipalities and joint ventures to advance projects more forcefully.

The image shown here is an example of our project: a ZEH town development in Chiba Prefecture. We believe that by focusing on the construction of ZEH rental housing, we can improve quality of life and achieve decarbonization.

As part of this community development, we are also investing in senior care facilities to address the challenges posed by an aging society.

In H1, we secured contracts for a total of 43 facilities, including residential homes for the elderly, worth JPY10 billion.

This concludes our explanation of the medium-term management plan.

株式交換によるハウスコム株式会社の完全子会社化について

ハウスコム株式会社(大東建託持分52.3%　連結子会社)	
事業規模	資本金4.24億円　東証スタンダード市場上場(証券コード:3275)
	売上高:135億円　営業利益:5億円 (2024年3月期)
設立年月	1998年7月
事業内容	不動産賃貸建物の仲介・管理業務・損害保険代理業

株式交換により完全子会社化	
株式交換契約日	2024年10月29日
交換比率	ハウスコム 1 : 大東建託 0.08
株式交換 効力発生日	2025年2月1日 (ハウスコム上場廃止日:2025年1月30日) ※2024年12月20日開催予定のハウスコム臨時株主総会の承認が条件

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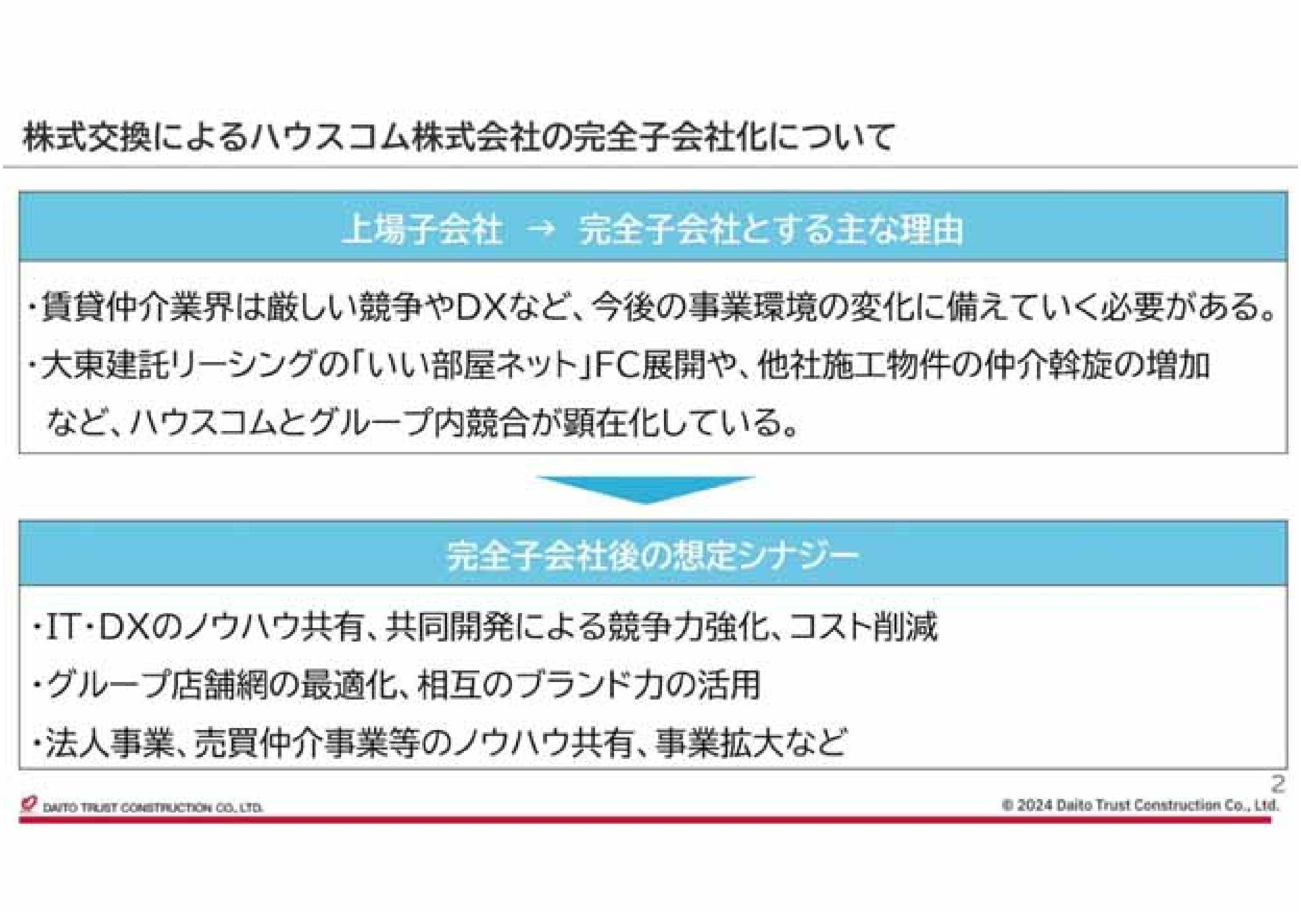
Next, as of 3:00 PM today, we announced the full acquisition of Housecom as a wholly-owned subsidiary.

Housecom is currently a publicly listed subsidiary, and we hold a 52% equity stake. It is listed on the Standard Market and primarily engages in rental apartment and condominium brokerage.

This acquisition will involve a share exchange of 0.08 shares of Daito stock for each Housecom share, making it a wholly owned subsidiary as of February 1.

Daito’s treasury stock will be used for the exchange.



Please refer to the next page. The rationale for making Housecom a wholly owned subsidiary lies in the intensifying competition in the rental brokerage industry and the need to prepare for future shifts in the real estate sector, such as digital transformation.

Additionally, our 100% subsidiary, Daito Kentaku Leasing, operates a franchise business that has begun to overlap with Housecom’s services within the Group.

By making Housecom a fully-owned subsidiary, we aim to resolve this overlap and combine both companies’ expertise to drive business expansion and achieve cost savings.

The impact of this acquisition on this period’s earnings is expected to be minimal.

With this, I will conclude my presentation.

Moderator: Thank you, Mr. Takeuchi.

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